

## Message Text

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COMMERCE FOR BEWT/TPD (THOMPSON)

VIENNA FOR USEWTC

E.O. 11652: N/A

TAGS: BEXP, ETRD, CZ

SUBJECT: LIKELY EFFECTS OF LONG-GRAVEL AMENDMENT ON  
U.S. TRADE PROMOTION PROGRAM IN CZECHOSLOVAKIA

REF: A. STATE 3246

B. PRAGUE 17

C. STATE 282477

D. BUCHAREST A-274

BEGIN SUMMARY: ADOPTION OF LONG-GRAVEL AMENDMENT IN  
TRADE ACT OF 1974 COMPLICATES OUTLOOK FOR U.S. TRADE  
PROMOTION IN CZECHOSLOVAKIA. ON BASIS OFFICIAL CZECHOSLOVAK  
REACTION THUS FAR TO THIS ADVERSE DEVELOPMENT, HOWEVER, WE  
SEE NO REASON FOR COMMERCE TO WITHDRAW FROM PLANNED  
PARTICIPATION IN BRNO ENGINEERING FAIR IN SEPTEMBER, 1975.  
FURTHER, WE CONCUR IN SELECTION OF PROCESS CONTROL EQUIPMENT  
AS PRODUCT THEME FOR USATECH '75 DESPITE FACT THAT FAIR  
THEME WILL BE IN DIFFERENT CATEGORY. EMBASSY SUGGESTIONS ON  
NEXT STEPS WE SHOULD TAKE IN OUR RELATIONS WITH CZECHOSLOVAKIA  
IN AFTERMATH OF LONG-GRAVEL ARE CONTAINED REFTEL B.

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END SUMMARY.

1. ADOPTION OF LONG-GRAVEL AMENDMENT TO TRADE ACT OF 1974 CLEARLY COMPLICATES OUTLOOK FOR U.S. TRADE PROMOTION PROGRAM IN CZECHOSLOVAKIA OVER COMING MONTHS, AND PERHAPS YEARS. TO WHAT EXTEND ACTUAL U.S. EXPORTS TO CSSR WILL BE DAMPENED BY THIS DEVELOPMENT, HOWEVER, IS DIFFICULT AT THIS POINT TO ESTIMATE. OFFICIAL REACTION TO PASSAGE OF TRADE ACT WITH OFFENDING (TO CZECHS) AMENDMENT HAS BEEN NEGATIVE BUT SUBDUED TO DATE. SEVERAL ARTICLES APPEARING IN PRESS HAVE CALLED INTO QUESTION VALIDITY OF U.S. INTENTIONS IN INITIALING CLAIMS/GOLD AGREEMENT LAST JULY, INDICATING THAT CZECHS DID WHAT THEY COULD TO RESOLVE ISSUE IN EQUITABLE WAY, NOW IT IS UP TO U.S. TO DELIVER. TO NOTABLE DEGREE, PRESS COMMENT HAS LAID BLAME DIRECTLY ON CONGRESS FOR ERECTING THIS UNEXPECTED ROADBLOCK IN PATH OF RESOLVING GOLD/CLAIM ISSUE WHICH WAS EXPECTED EVENTUALLY TO LEAD TO RESTORATION OF MFN, EMBASSY RELATIONS WITH VARIOUS FEDERAL MINISTRIES (EXCEPT, AS NOTED IN PRAGUE 023, FOR FEDERAL MINISTRY OF INVESTMENT AND TECHNOLOGICAL DEVELOPMENT, WHICH HAS ALWAYS BEEN A SPECIAL CASE) HAVE SHOWN NO CHANGE SINCE PASSAGE OF TRADE ACT, EITHER FOR BETTER OR FOR WORSE.

2. AS TO LIKELY REACTION OF CZECH GOVERNMENT TO U.S. PARTICIPATION IN THE 17TH ANNUAL BRNO ENGINEERING FAIR, EMBASSY RECENTLY RECEIVED CORDIAL LETTER FROM GABRIELA MATULOVA, HEAD, COMMERCIAL DEPARTMENT, BRNO TRADE FAIRS AND EXHIBITIONS, INVITING U.S. PARTICIPATION AGAIN IN FAIR IN 1975. WE HAVE RESPONDED TO MATULOVA'S LETTER IN ACCORDANCE WITH REFTEL C, REQUESTING EXHIBIT SPACE OF 500 SQUARE METERS FOR A USATECH EXHIBIT COMPOSED OF ABOUT FIFTEEN EXHIBITORS. AS IN PAST FOUR YEARS, WHEN CONDITIONS WERE ALSO LESS THAN IDEAL FOR EXPANSION OF U.S. CZECH TRADE, THE DEPARTMENT OF COMMERCE EXHIBIT SHOULD BE WELCOMED AT BRNO ALTHOUGH PERHAPS NOT IN SUCH SHOWY STYLE AS IN 1973 AND 1974 WHEN PARTY GENERAL SECRETARY HUSAK PERSONALLY TOURED EXHIBITS, IT WOULD BE GREAT MISTAKE IF IN ANTICIPATION OF SEVERELY NEGATIVE REACTION BY CZECHS TO THIS LATEST DISAPPOINTMENT WHICH MIGHT NEVER MATERIALIZE, AT LEAST IN ANY LASTING WAY, WE WERE PREMATURELY TO PULL OUT OF MOST IMPORTANT TRADE PROMOTION EVENT TO BE HELD IN CZECHOSLOVAKIA LIMITED OFFICIAL USE

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THIS YEAR. AT THIS DIFFICULT STAGE IN OUR RELATIONS, SUCH ACTION WOULD ONLY BE SEEN BY CZECHOSLOVAK GOVERNMENT AS PROOF OF WHAT HARDLINERS IN ITS MIDST HAVE BEEN SAYING ALL ALONG, E.E., THAT USG IS NOT SINCERELY INTERESTED IN EXPANDING TRADE AND COMMERCIAL RELATIONS WITH THIS SMALL SOCIALIST COUNTRY.

3. IT CANNOT BE EMPHASIZED TOO STRONGLY THAT NOTHING IN CSSR MATCHES THE BRNO ENGINEERING FAIR IN DRAWING TOGETHER IN ONE

PLACE AT ONE TIME MOST OF COUNTRY'S ECONOMIC AND COMMERCIAL DECISION-MAKERS WHO CAME TO FAIR WITH AUTHORITY TO DEAL AND MONEY TO SPEND --AND NOT ONLY ON SPECIFIC EQUIPMENTS BEING DISPLAYED. IN PAST YEARS, COMMERCE AND EMBASSY ECONOMIC/COMMERCIAL OFFICERS HAVE MADE WIDE CONTACTS AND DEVELOPED A NUMBER OF TRADE OPPORTUNITIES IN AREAS FAR AFIELD FROM USATECH PRODUCT THEME. WHEREAS A CZECH TECHNICIAN OR END-USER WOULD RARELY HAVE NERVE TO PHONE, WRITE, OR DROP INTO EMBASSY COMMERCIAL OFFICE, IN PRAGUE THEY GENERALLY HAVE NO COMPUNCTION ABOUT APPROACHING USATECH STAFF AT BRNO WITH THEIR QUESTIONS AND NEEDS. IN SHORT, BRNO ENGINEERING FAIR OFFERS UNPARALLELED OPPORTUNITY IN CZECHOSLOVAK CONTEXT FOR U.S. GOVERNMENT AND PRIVATE FIRMS TO MAKE SIGNIFICANT IMPACT ON INDUSTRIAL AND TECHNICAL PLANNERS, NOT TO MENTION POPULACE AT LARGE, WHICH OFTEN TAKES YEARS TO MATURE INTO TANGIBLE COMMERCIAL RESULTS.

4. EMBASSY ATTACHES LITTLE PRACTICAL IMPORTANCE TO ALIGNING USATECH TEME WITH SO-CALLED PRODUCT THEME OF ARI. IN EACH OF PAST TWO YEARS WE HAVE FOLLOWED THIS RULE WITHOUT ENORMOUS SUCCESS. IN 1973, WHEN FAIR THEME WAS MACHINE TOOLS AND METALWORKING EQUIPMENT, WE EXHIBITED SAME AND EVEN OUR ONE GOLD MEDAL WINNER (BRYANT GRINDER) DID NOT FIND A BUYER FOR ITS MACHINE OFF THE FLOOR, OR SUBSEQUENTLY, AS FAR AS EMBASSY IS AWARE. IN 1974, FAIR THEME WAS COMPUTERS AND RELATED EQUIPMENT; AGAIN, OUR THEME, AND NONE OF OUR EXHIBITORS BOASTED OF HAVING RECEIVED "PREFERENTIAL" TREATMENT FROM CZECH BUYERS. THUS, WE HAVE NO PROBLEM WITH IDEA OF EXHIBITING PRODUCTS AND EQUIPMENT OUTSIDE OF NOMINAL FAIR "THEME" IN ANY GIVEN YEAR. WE MIGHT URGE COMMERCE PERHAPS TO CONSIDER, HOWEVER, RECRUITING AMONG FIRMS WHOSE PROCESS CONTROL EQUIPMENT HAS PRIMARY APPLICABILITY TO MACHINE TOOL OR METALLURGICAL INDUSTRIES. IN GENERAL, WE LIMITED OFFICIAL USE

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AGREE WITH EMBASSY BUCHAREST'S SUGGESTION CONTAINED IN ITS FINAL REPORT ON USATECH '74 IN ROMANIA (REPAIR D) THAT PRODUCT THEMES FOR U.S. EXHBITIONS IN EASTERN EUROPE NOT BE TOO SPECIALIZED PERHAPS ALLOWING FOR MULTI-THEME APPROACH. COMMERCE MIGHT THUS CONSIDER INCLUDING A FEW KEY MACHINE TOOL FIRMS (SUCH AS KEARNEY TRECKER OR CINCINNATI MILACRON) AMONG PROCESS CONTROL EQUIPMENT MANUFACTURERS AT BRNO '75.

5. OFFICIAL AT FEDERAL MINISTRY OF METALLURGY AND HEAVY ENGINEERING TOLD EMBOFF A FEW WEEKS AGO THAT THEME OF 1976 BRNO FAIR WOULD BE INDUSTRIAL PROCESS QUALITY CONTROL EQUIPMENT. HE ALSO SAID THAT ECONOMIC COMMISSION FOR EUROPE'S ECE) COMMITTEE FOR AUTOMATION PLANNED ON HOLDING SEMINAR ON THIS TOPIC IN CZECHOSLOVAKIA (KARLOVY VARY) DURING TIME OF FAIR.

APPARENTLY, SEMINAR PARTICIPANTS INTEND TO VISIT FAIR, AS WELL.  
EMBASSY RECOGNIZES THAT THERE COULD BE ADVANTAGES DERIVED  
FROM DELAYING A YEAR WITH PROCESS CONTROL EXHIBIT, BUT WE  
DO NOT BELIEVE THESE TO BE OVERRIDING IN VIEW OF CRITICAL NEED  
NOW FOR SUCH EQUIPMENT INCZECHOSLOVAKIA.

6. EMBASSY SUGGESTIONS AS TO WHERE WE GO IN AFTERMATH  
OF LONG-GRAVEL AMENDMENT CONTAINED REFTEL B.  
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